

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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| Barbara Beerhalter | Chair |
| Cynthia A. Kitlinski | Commissioner |
| Norma McKanna | Commissioner |
| Robert J. O'Keefe | Commissioner |
| Darrel L. Peterson | Commissioner |

ISSUE DATE: February 17, 1988

In the Matter of a Summary Investigation Into
IntraLATA Toll Access Compensation for
Local Exchange Carriers Providing Telephone
Service Within the State of Minnesota

DOCKET NO. P-999/CI-85-582

In the Matter of the Non-Traffic Sensitive
Cost Recovery Study Committee's Report
Examining Alternatives to the Carrier
Common Line Charge

DOCKET NO. P-999/CI-87-696

ORDER ADOPTING COMMITTEE
RECOMMENDATION

PROCEDURAL HISTORY

In an order dated February 24, 1986 the Commission initiated an investigation and established a committee to evaluate and make recommendations on methods for Northwestern Bell Telephone Company (NWB) to recover non-traffic sensitive (NTS) costs for switched access services. (See Docket No. P-421/CI-85-352.) This summary investigation was assigned Docket No. P-421/CI-86-88.

The NWB NTS cost recovery study committee evaluated the following alternative methods for recovering NTS costs: the existing Minnesota carrier common line (CCL) plan, the Federal/interstate plan, the flat rate plan, the NYNEX plan and the Universal Local Access Service (ULAS) plan. On January 30, 1987, the NWB NTS cost recovery study committee submitted a report containing its evaluation of these plans and recommending adoption of a plan similar to the Federal/interstate plan, with access charge reductions divided between the CCLC for originating and terminating minutes at a 2 to 1 ratio.

In a November 2, 1987 Order in the intraLATA toll access compensation case, Docket No. P-

999/CI-85-582 (the "582" docket), the Commission expanded the scope of the committee's investigation to include the entire industry. This expanded summary investigation was assigned Docket No. P-999/CI-87-696. The Commission directed the committee to submit a supplemental report indicating whether the committee's original recommendation would be appropriate if applied to all local exchange carriers (LECs).

On February 11, 1988, the NTS cost recovery study committee submitted its supplemental report. That report stated that the original recommendation would be appropriate for all LECs, but that it should be revised to credit all revenue reductions resulting from the "582" docket to the CCLC for originating minutes of use.

STATEMENT OF THE ISSUE

The issue before the Commission is whether to adopt the committee's report and recommendations in Docket No. P-999/CI-87-696.

FINDINGS AND CONCLUSIONS

The Committee's Recommendation

The original recommendation of the committee was as follows:

. . . any reduction in the revenues recovered through the CCL charge as a result of the intraLATA toll access compensation proceeding, Docket No. P-999/CI-85-582, or any other proceeding, would be implemented such that there would be a decrease in the CCL charge applied to originating minutes and a smaller decrease to the CCL charge applied to terminating minutes. Specifically, the amount of money available to reduce the residual revenue total should be split between originating versus terminating on a two to one ratio.

Later, the committee unanimously decided to modify this recommendation and to recommend instead that all access revenue reductions from the "582" case be used to reduce the CCLC on the originating minutes of use. The reason for this change was that, in the "582" case, the total dollar reduction to the revenues recovered through the CCLC proved to be smaller than the committee expected. The committee believed applying the entire reduction to originating minutes of use was necessary to most effectively reduce the risk of bypass.

The committee also recommended the following: No LEC should reduce its originating CCLC below \$0.01 per minute of use. If an LEC's originating CCL rate would be reduced below \$0.01, the LEC should propose an alternative method based on the previously proposed 2-to-1 split. Small telephone companies which would have widely diverging originating and terminating CCLCs as a result of this methodology should also be allowed to propose an alternative method based on the 2-to-1 split.

The Commission's Acceptance of the Recommendation

The Commission finds that the committee's recommendation is reasonable, is in the public interest, and should be adopted.

The recommendation is reasonable because the remedy proposed, crediting all CCL reductions resulting from the "582" case to the originating minutes of use, is an effective approach to the possibility of bypass. Although the Commission found in the "582" case that the threat of bypass had not been shown to be significant enough to justify a shift of NTS costs from toll to local, the Commission has taken other actions to reduce the threat of bypass. For example, the Commission removed the CCLC on the closed end of WATS, it has approved volume discounts, and it approved a ten percent intrastate shift of NTS costs. (See Commission orders in Docket No. P-421/CI-85-352 and Docket No. P-999/CI-85-582.) Adoption of the committee's recommendation, in conjunction with past Commission decisions which have affected the threat of bypass, will fully address existing concerns about bypass.

The recommendation is in the public interest because it can be implemented without the additional costs that would have been associated with the adoption of some of the other plans (such as ULAS). This is true because all LECs currently charge a different interstate CCL rate on the terminating end than they do on the originating end.

The recommendation is also in the public interest because it can be implemented without any time delays. Committee members, which included representatives of the LECs, supported the recommendation with the intent that it be implemented with the compliance filings to be submitted in the "582" case.

Finally, the recommendation is in the public interest because it was unanimously supported by the committee. The committee was made up of representatives from the LECs, the interexchange carriers, the Minnesota Business Utility Users Council, the Department of Administration, the Minnesota Senior Federation, the Residential Utilities Division of the Office of the Attorney General and the Department of Public Service.

The Commission will order all LECs to apply the entire access revenue reduction ordered in the "582" case to revenues recovered from the originating CCLC. However, no LEC should reduce its originating CCLC below \$0.01 per minute of use.

If an LEC's originating CCLC rate would be reduced below \$0.01, the LEC should propose an

alternative method for applying the access revenue reduction using the 2-to-1 reduction described in the January 30, 1987 report. Additionally, small LECs which would have widely diverging originating and terminating CCLCs if the entire reduction were applied to the originating CCLC shall be allowed to propose an alternative method based on the 2-to-1 reduction.

For NWB, any decrease in expenses resulting from other LECs' access charge reductions shall be used to reduce its originating CCLC.

ORDER

1. The Commission hereby adopts the recommendations of the February 11, 1988 supplemental report of the NTS cost recovery study committee.
2. In their compliance filings in Docket No. P-999/CI-85-582, all local exchange carriers shall apply the access revenue reductions or access expense savings to the revenues to be recovered through the originating CCLC except in those instances described above.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

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